to the difficulties incidental to the working of the Regulation, the Member said that the first source of hardship was the long detention, in the offices of the collectors, of the account books produced by the assessees coupled with the manner in which such books were examined. Incomes, as seen from the account books, were taken to be underestimated and expenditure overestimated with the result that the collectors seldom accepted the accuracy of the accounts produced, though they were implicitly accepted by the civil courts. No receipts were given for the account books and other valuable documents produced by the assessees. Profits were fixed at percentages varying with the whims and fancies of the subordinate clerks examining the accounts. Those clerks were neither qualified nor competent to examine the account books. The Member, therefore, prayed that the above grievances might be redressed by appointing qualified auditors in the offices of the collectors and by prescribing a time-limit for the examination of accounts. Secondly, there was much delay in the disposal of appeals, which, in most cases, simply confirmed the original decisions after such delay. Assessees had to wait in the offices of the Dewan Peishkars both at headquarters and in camp for unusually long periods before the appeals were disposed of. Another source of grievance was that many collectors were assessing incomes which had been expressly exempted from the operation of the Regulation, such as incomes derived from property held in trust for charitable or religious purposes and from voluntary contribution applicable solely to religious and charitable purposes. The Member prayed that necessary orders might be issued for the prevention of such irregularity.

Lastly, the Member said that much difficulty was experienced in the matter of remitting income-tax into Government treasuries. Assessees had often to remit the tax into a distant treasury, while there was a nearer one. To remove that difficulty, he prayed that orders might be issued so as to enable the assessees to remit their taxes into or to receive refunds from, the treasuries nearest their houses.

23.] Some complaints on the present working of the Income-tax Regulation.

Mr. V. R. Gopala Pillai (Member, Kunnatnad Taluk) spoke on certain grivances to the people arising out of the present working of the Income-tax Regulation. He said that, in the first place, under the Income-tax Regulation, income derived from *thanathu* lands, which were not assessed to revenue, was subject to the payment of the tax, and that the taxation of such incomes meant the denial of the privilege of immunity from taxation enjoyed by the owners of such lands, *viz.*, the Jenmies, for a long time. He pointed out that the amount of land tax on the above lands would be much less than the income-tax payable on the income derived from them. The fact that those lands, on alienation, became subject to assessment to land revenue, served as a restraint against alienation. Now that the lands were declared subject to income-tax, the Jenmies tried to alienate them in order to escape assessment and the result would be that the present tenure of such lands would disappear in course of time. The Member pointed out that there were practical difficulties in assessing the income derived from such lands. The Jenmies did not cultivate the lands themselves, but leased them to their tenants who cultivated those lands along with the other properties of the Jenmies and who did not keep separate accounts of the income derived from *thanathu* and other lands, and consequently, the collectors often assessed the income from those lands arbitrarily. He, therefore, prayed that the income from *thanathu* lands might be exempted from the operation of the Income-tax Regulation.

The Member next stated that incomes derived from landed properties situated outside Travancore were not treated as agricultural income for purposes of assessment. Since those incomes were also derived from lands, he requested that they might be classed as agricultural incomes.

Another irregularity was that such items of income as *michavaram*, *pattom*, etc., were taxed against the provisions of the Regulation on the strength of confidential circulars. The Member prayed that that practice might be stopped.

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The next point referred to by the Member was the assessment of income derived from house property. Under Section 7 of the Regulation, when a house was occupied by its owner, he had to pay tax on the *bona fide* annual value of that house, and that meant the taxation of an income not actually received by an assessee. The Member suggested that the income actually received by way of rent might alone be taxed.

He then observed that there was no uniformity of procedure in the treatment of interest on loans and mortgages and that there was no provision in the Regulation regarding the mode of calculating the interest. Under Section 3 of the Regulation, all income from whatever source it was received was taxable if it accrued, arose or was received in Travancore, while as per the D form notice it was only the income that was actually received that could be taken into account. He, therefore, suggested that the amount actually received alone might be assessed. The Member also brought to notice that some collectors were actually assessing the interest due on debenture loans, while others were including them in order to bring incomes to a taxable limit. To remedy the evil, the Member prayed that definite instructions might be issued to the collectors in the matter.

Another source of grievance touched upon by the Member was the one relating to the service of D and E Form notices. He said that D Form notices in English were sent to assessees ignorant of that language and that the notices themselves were not promptly served. In the case of the E Form notices, they were not personally served on the assessees who, in consequence, were unable to produce their accounts for examination in time. The collectors took advantage of the non-production of the accounts and passed assessment orders as they pleased. The Member prayed that special instructions might be issued for the prompt and proper service of notices.

The method of assessment adopted by the collectors was also unsatisfactory. Their decisions were in most cases based on confidential enquiries conducted behind the back of the assessees. The accounts produced before them were checked by low-paid clerks ignorant of book-keeping and the accounts maintained by assessees in the ordinary course of business were disbelieved by the collectors. To obviate those difficulties, he suggested that forms for keeping the accounts might be prescribed by the Government. He also suggested the desirability of asking the collectors to send copies of their assessment orders to the Government just as subordinate Magistrates sent calendars to the District Magistrates.

The Member next stated that no advantage could be gained by assessees in appeals preferred against the assessment orders of collectors. The appellate authorities, *viz.*, the Division Assistants and the District Magistrates, were officers whose one aim was to show increased revenue under income-tax, and he, therefore, thought that it would be a source of relief if some provision could be made in the Regulation for references being made to civil courts by aggrieved parties. A further source of grievance was that, in appeals against the assessment orders of collectors, the appellate authorities did not issue stay orders, and the Regulation did not provide for a claim being advanced for the issue of such orders. Consequently, in cases where appeals were allowed, there was great delay in obtaining a refund of the amounts reduced in such appeals. The Member requested that the above evil might also be remedied.

The next complaint was that Section 14 of the Regulation was not correctly understood by the collectors and in order to avoid future misunderstanding he prayed that that Section might be properly illustrated.

Another point urged by the Member was that, in calculating the amount of income-tax payable by an assessee, the amount of the income-tax that had to be paid by him might be deducted, as otherwise he would have to pay income-tax on income-tax.

He also said that Section 35 of the Regulation prescribing the mode regarding the recovery of income-tax was causing great hardship and that it should be abrogated and the tax be recovered in the same way as ordinary land revenue.

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